



# Army Pay Pool Management Guidance

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# NSPS Statutory Requirement

- **Statutory Requirement:** Spend equivalent percent for civilian pay as was spent historically under title 5 for:
  - same numbers
  - same types of positions
- **Policy Requirement:** Ensure dollars previously spent for WIGIs, QSIs, and In Band promotions get redirected to Performance Based Pay.





# NSPS Draft Funding Guidance

## • Pay Pool Funding Sources

### Element 1: WGs, QSIs, in-hand promotions

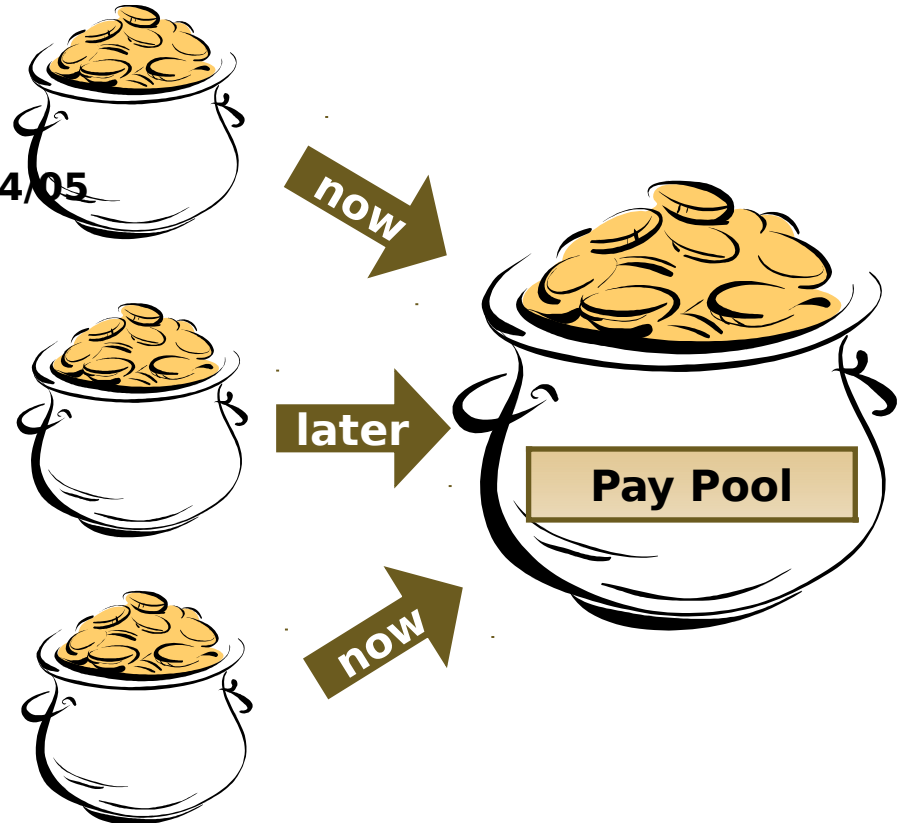
- Minimum floor set by DoD
- Based on historical value for FY-04/05
- Salary increase
- Floor met at Command Level

### Element 2: Remainder of General Pay Increase

- Set by SecDef
- Less rate range adj, LMS
- Salary increase or bonus

### Element 3: Performance awards

- May be set by Command
- Less OAR, EPI,  
inc awds, reserve fund
- Bonus only



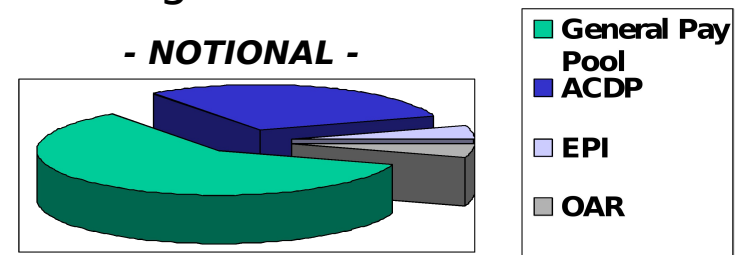
Elements are expressed  
as percent of base pay

## • **Base Salary Increase - Mandated Funding Floor**

- Jan 2008 payout - Set by SECDEF as 2.26% Component aggregate - paid out with FY 08 funds
- Jan 2009 & beyond - Set by DoD via formula
- Army Commands and equivalent organizations (Army Service Component Commands, RDUs, and AASA) must in the aggregate, meet the 2.26% Floor
- May be pro-rated to rating cycle
- Floor can be set differently for each pay pool
- Must meet minimum floor, but may exceed
- Pay pool dollar amount determined by # of on board employees as of end of performance cycle
- May set pay band control points

- **Application of Element 1 Floor to Spiral 1.1, 1.2, and 1.3**

- DoD Floor based on DoD Historical Spending Average for FY 2004/2005
- Army Historical Spending Average = 2.31% for FY 2004/2005
- Concerns:
  - Floor based on aggregate population – but certification is not
  - Composition of Pay Pool Fund has changed



## • **Element 3 Pay Pool Funds - Bonus Pay**

- Army Commands and equivalent organizations (Army Service Component Commands, RDUs, and AASA) delegated authority to set funding guidance
  - Funding Floor
  - Funding Limit
  - Funding Range
- Can determine based on:
  - FY 08 Programmed Funding for Performance Awards
  - Historical Spending
- Pro-Rating Not Permitted for January 2008 Payout (Spiral 1.1, 1.2 and 1.3)

## • Way Ahead

- Commands compute and report historical spending average for Spiral 1 employees to AG-1(CP)
  - Multiply UIC historical average spending percent x aggregate base salary of employees covered by NSPS for January 08 payout
- GOSC tasked G-1(CP) to develop process to certify funding floor to DoD
- Identify EOR to track salary increases paid out through pay pool process
  - 45,000 Army employees covered in January 2008 vs. 2200 in January 2007
  - Air Force established EOR to track Element 1 Funding



# Pay Pool Funding Plan

	<del>January 2007 (Spiral 1.1)</del>	January 2008 (Spiral 1.1, 1.2, 1.3)	January 2009 (All Spirals)
Element 1	<del>Derived from historical spending</del>	2.26% at Component level (Not Pay Pool Minimum)	Formula to be established by SecDef
Element 2	<del>Full GPI used for rate range adjustments and LMS 0% in pay pool</del>	GPI can be split between rate range increases, LMS and pay pool funding	GPI can be split between rate range increases, LMS and pay pool funding
Element 3	<del>MACOM guidance ations can allocate</del>	MACOM guidance additional funding and 3	MACOM guidance to Elements 1





What amount do I set aside for  
**Element 1 base salary increases?**  
(Spiral 1.2/1.3)

**Example:**

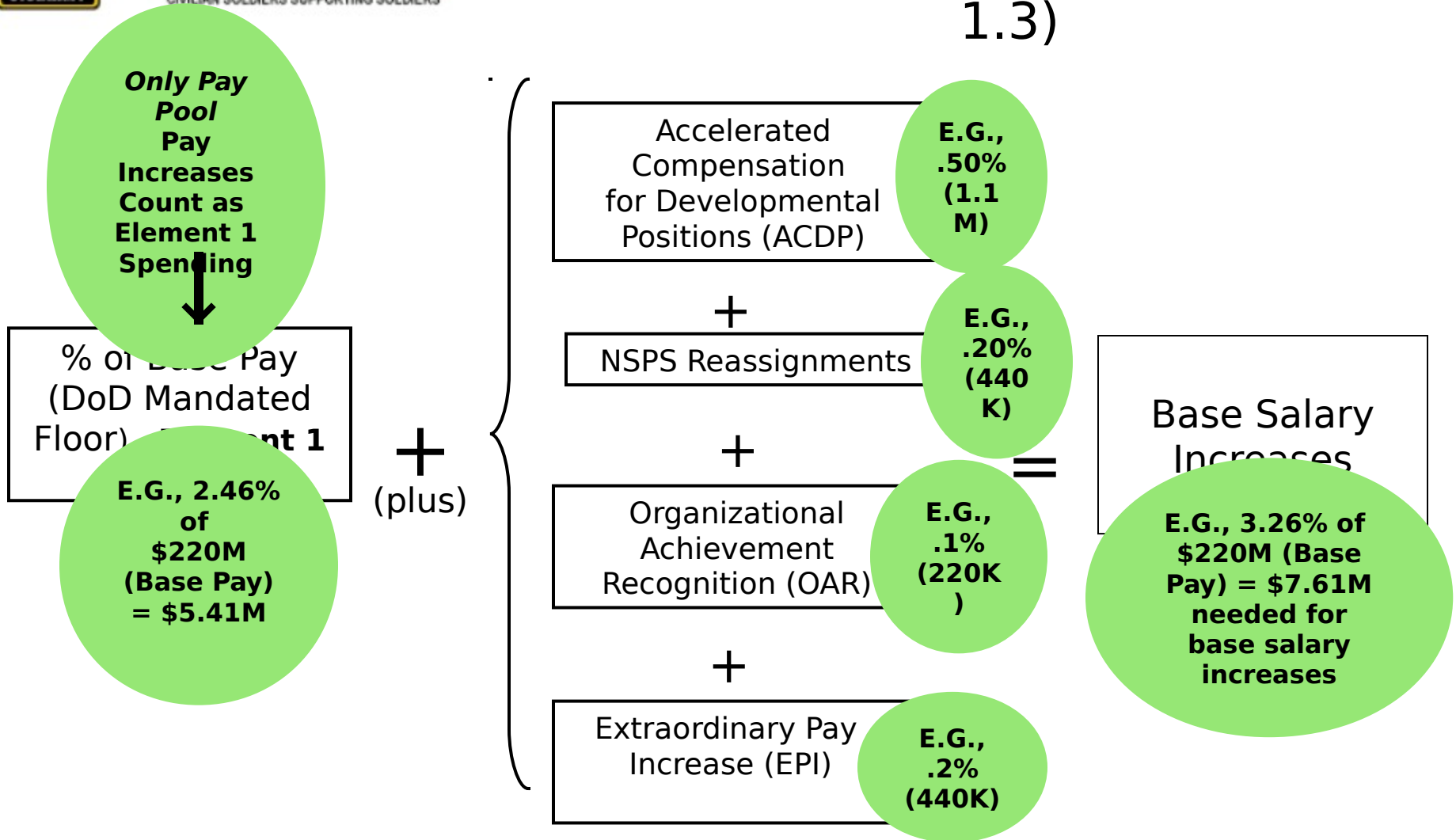
**2.46% (DoD Mandated Floor)  
X 220M Base Pay  
= 5.41M Element 1 Fund**

Decision Point: Should funds be equally distributed among pay pools?



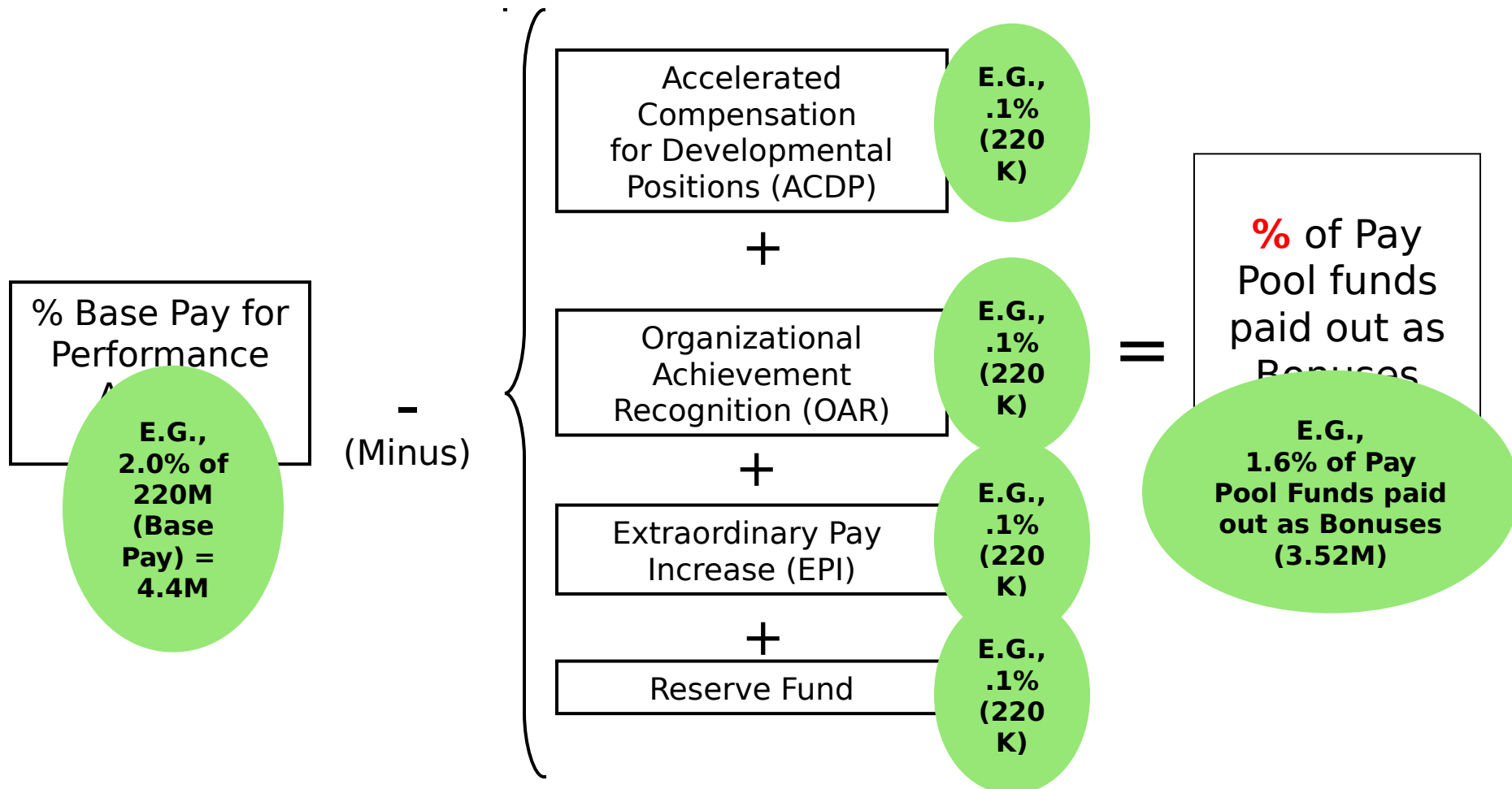
NSPS

# base salary increases? (Spiral 1.2 & 1.3)



**Decision Point: Should funds be equally distributed among pay pools?**

# What amount do I set aside for **Element 3, bonus pay out?** (Spiral 1.2 & 1.3)

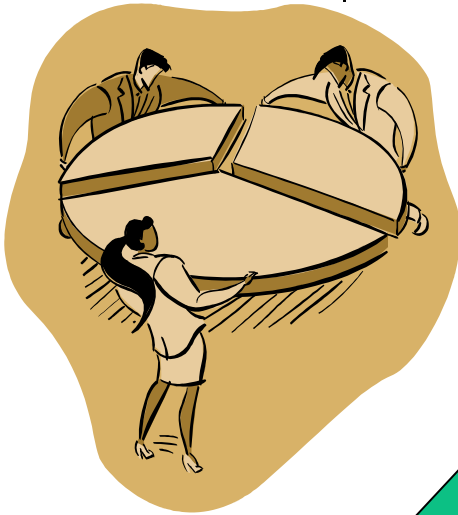


Decision Point: Should funds be equally distributed among pay pools?

1. What amount do I set aside for **Element 1, base salary** increases?
2. What amount must be set aside for NSPS **base salary increases**?
3. What amount do I set aside for **Element 3, bonus pay out**?
4. Should funds be **equally distributed** among pay pools?

Share Dollar Value is a Factor of:

**Total Pay Pool**  
**\$**

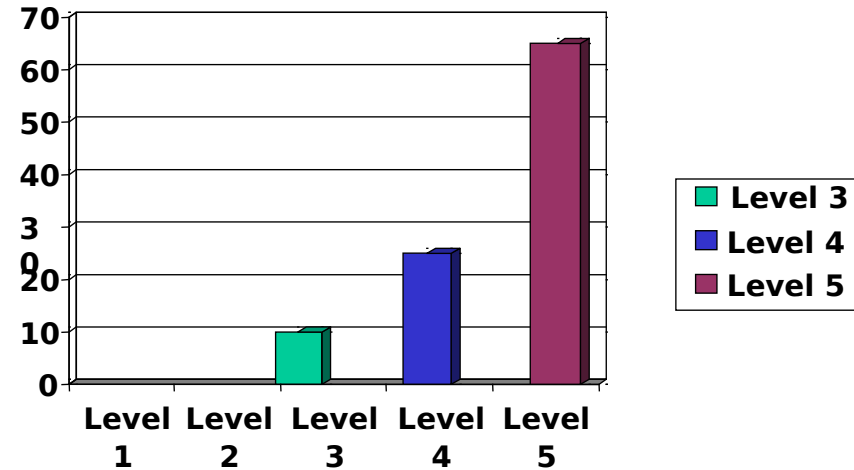
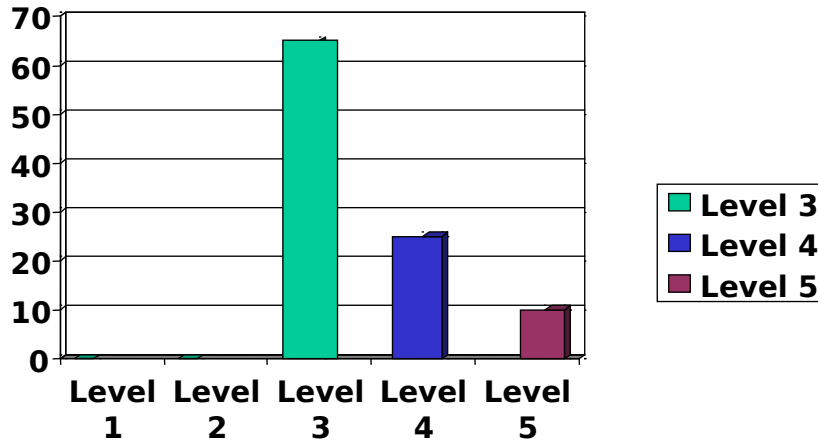


**Number  
Shares  
Awarded = %**

**Your  
Salary**



# Effects of Performance Score Distribution



	Distributed	Inflated
# of Shares Allocated	6008	10,739
Average raise % Level 3 Rating	3.0%	1.6%
Average raise % Level 4 Rating	7.0%	3.5%
Average raise % Level 5 Rating	11%	5.5%



# Pay Pools: Army Guidance

- Pay pool structures may be redefined each cycle
- All pay pool officials/raters will be management officials
- Sub-pay pools should be considered when size exceeds 150
- Pay pools can be established to combine or separate supervisors and non-supervisors
- Normally pay pool managers will not be a member of the pay pool they manage





# Pay Pools: Army Guidance

- Army Commands delegated responsibility for meeting 2.26% Element 1 Floor.
- Commands may set different funding levels for different pay pools.
- Commands may set operating guidelines for Element 3 pay pool funding
- Commands may establish business rules for share assignments or delegate further
- Commands may establish control points
- Commands may establish internal procedures and funding ranges for Discretionary Pay



SC 1940.11





# Pay Pools: Army Guidance

- Pay Pool payouts will be prorated based on hours worked to reflect
  - LWOP
  - Part Time and Intermittent Employment
  - Mid cycle Entry into NSPS position from Non NSPS position



- Above absences pro-rated as follows:

<u>Hrs Worked</u>	<u>% of Payout</u>
1561-2087 =	100%
1041-1560 =	75%
520-1040 =	50%

SC 1940.11



# BUSINESS RULES



# Share Ranges

- Shares in pay pool are awarded as shown:

Rating Level	Share Range
5	5 or 6
4	3 or 4
3	1 or 2
2	0
1	0

- Allows further distinction between levels of contribution
- Estimated share value reflects a percentage of salary
  - Actual share value will not be known until Pay Pool Panel completes its work

# Share Assignment

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Considerations for Share Assignment may include:

- Complexity of work \*
- Overall contribution to mission
- Organizational success
- Fiscal soundness
- Un-rounded raw score \*
- Employee's current salary \*
- Impact of contributing factors
- Other criteria consistent with Merit System Principles and EEO

\* Examples provided on following slides

# Share Assignment

## Example 1: Complexity of Work

- A supervisor has two employees. Maria's job is more complex than Joe's. He gave them the following ratings and shares:

	Obj 1 Rating	Obj 2 Rating	Obj 3 Rating	Raw Score	Rating	Shares
Maria	3	3	4	3.33	3	2
Joe	3	3	4	3.33	3	1

### Rationale:

- The supervisor decided to give Maria two shares because the work she accomplished was more complex in nature

## Example 2: Rounding Approach

- A supervisor has two employees who received the following ratings and shares:

	Obj 1 Rating	Obj 2 Rating	Obj 3 Rating	Raw Score	Rating	Shares
Bob	3	3+1 CF	3	3.33	3	2
Pat	3	3	3	3.00	3	1

### Rationale:

- The organization assigned additional shares to individuals with higher un-rounded scores

## Example 3: Consideration of Salary

- A supervisor has two employees in similar positions but with different salaries. The supervisor gave them the following ratings and shares:

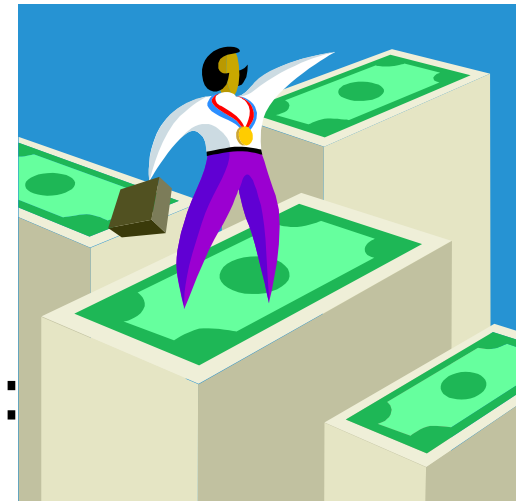
	Obj 1 Rating	Obj 2 Rating	Obj 3 Rating	Raw Score	Rating	Shares
Terry	3	3+1 CF	4	3.33	3	1
Lee	3	3	3	3.00	3	2

**Rationale:**

- The supervisor gave Terry one share since his salary is close to the maximum of the salary range and gave Lee two shares since her salary is much lower in the range and should be increased based on her performance and experience

# Performance Payout

- Distribution options:
  - Base salary increase
  - Bonus
  - Combination of the two
- Distribution considerations:
  - Local market salary comparisons
  - Current salary and complexity of work in comparison with colleagues
  - Attrition and retention of critical shortage skill personnel
  - Availability of Funds
  - Overall contribution to mission







# Distribution Considerations

- Budget constraints
- Reflect individual performance levels
- Distinguish between levels
- Motivational effects
  - Encourage good employees to stay
- Pay band limits/in-band market ranges
- Internal/external equity
- Competitive factors
  - Attract good employees
- Pay fair market value

**Ensure final distribution meets NSPS requirements on distribution of payouts between elements 1 and 3**



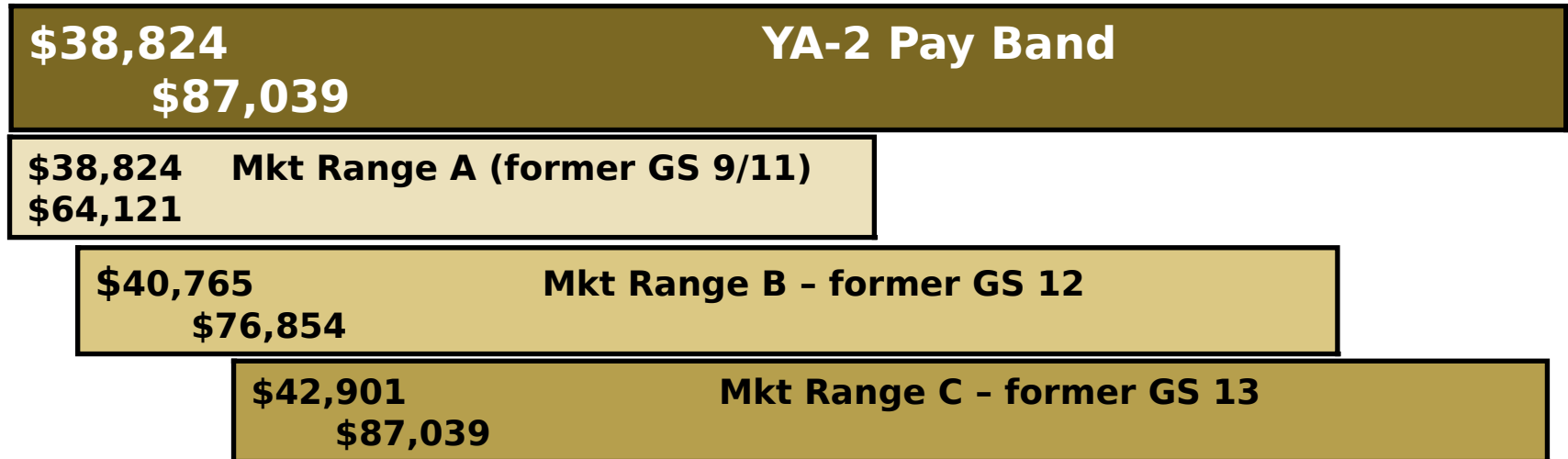
# Performance Payout

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- Individual Basis
- Uniform Approach
  - Default Payout Split
  - Current Salary in Relation to Appropriate Salary Range



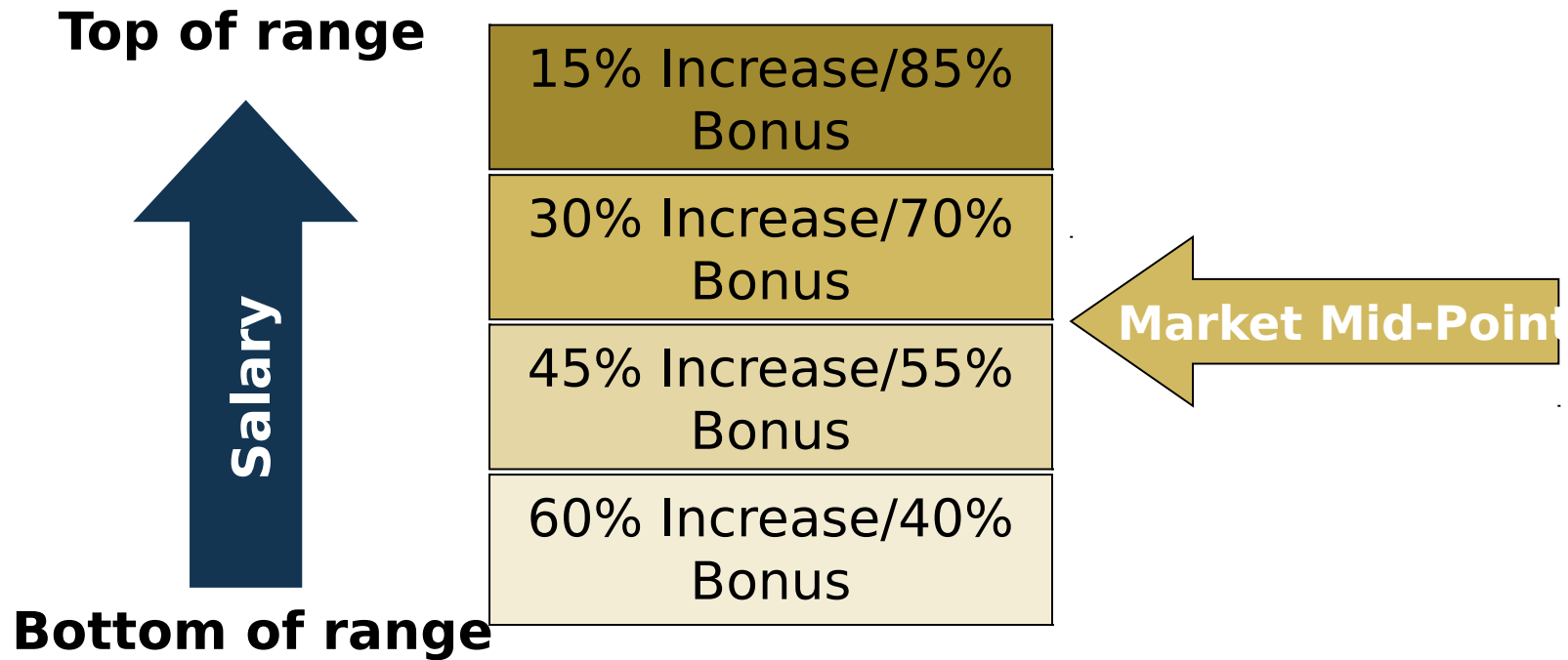
# Market Range Example: YA-2



- Example uses base pay (no locality)
- Upper level of each range (except the top) is 5% above GS equivalent
- More flexibility in pay setting than General Schedule
- Employees in Range A should not expect to reach top of band without change in responsibilities



# Market Based Approach



***Where are we now?***

# Share Basis Option

- Formula based on number of shares to split the payout between salary and bonus
- Is this a good option? Is this a good distribution?
- **Can you afford it?**

Shares	Percent Salary	Percent Bonus
6	90%	10%
5	80%	20%
4	60%	40%
3	50%	50%
2	30%	70%
1	20%	80%



# Merit Matrix Option

- Salary increase percentage is based on
  - Employee location within the pay band or market range (shown by quartiles)
  - Number of shares
- Is this a good option? Is this a good distribution?
- **Can you afford it?**

Shares	Q1	Q2	Q3	Q4
6	10%	8%	6%	4%
5	8%	6%	4%	2%
4	6%	5%	4%	3%
3	5%	4%	3%	2%
2	4%	3%	2%	1%
1	3%	2%	1%	0%



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# QUESTIONS?







# Pay Pool Automation

## Compensation Workbench Demonstration

	A	B	N	O	P	Q	T	U	V	W	X	Y	Z	AA	AB	AC			
1	Go To:		Employees: 36  Total CY07 Base Pay: \$2,493,956			Ratings and Shares	Calc Share Value = 2.4139%			Salary Increase	Pay Pool Fund								
2	Funding						Share Value Used= 2.0000%												
3	Ratings and Shares						(Estimated)							%			\$		
4	Salary Increase													Base Salary Increase			2.0000% \$49,879		
5	Bonus													Remaining GPI			0.0000% \$0		
6																	Total Salary Funding		
7												Bonus			3.0000% \$74,818				
8												Total Pay Pool Funding			5.0000% \$124,697				
9																			
10															Remaining \$				
	Last Name	First Name	Payout Eligible?	Rating Official	Sub-Panel Manager		Avg: 3.31	Avg: 2.22	Balance: \$21,400		CY2007 Base Salary	Salary Increase (\$)	Salary Increase Split (%)	Max Salary Increase Split (%)	Pro-Rate Salary Increase (%)	Pro-Rated Salary Increase (\$)			
11																			
13	Pettal	Rose	Yes	Charity, Eleanor	Norris, Luke		1	0	\$0		\$42,079	\$0	60.0%	0.00%					
14	Bumin	Al	Yes	Hawkins, Al	Ferguson, Sarah		2	0	\$0		\$81,386	\$0	60.0%	0.00%					
15	Knott	Shirley	Yes	Kozak, Marcus	Burns, Ian		2	0	\$0		\$76,904	\$0	40.0%	0.00%					
16	Wright	Orville	Yes	Charity, Eleanor	Norris, Luke		3	2	\$3,672		\$91,812	\$1,469	40.0%	100.00%					
17	Timber	Woody	Yes	Charity, Eleanor	Norris, Luke		3	2	\$3,406		\$85,165	\$1,362	40.0%	100.00%					
18	Sawyer	Buzz	Yes	Charity, Eleanor	Norris, Luke		3	2	\$2,739		\$68,475	\$1,096	40.0%	100.00%					
19	Parrell	Don A	Yes	Charity, Eleanor	Norris, Luke		3	1	\$1,556		\$77,842	\$622	40.0%	100.00%					
20	Ceased	Dee	Yes	Hawkins, Al	Ferguson, Sarah		3	2	\$1,869		\$46,729	\$748	40.0%	100.00%					
21	Cue	Barbie	Yes	Hawkins, Al	Ferguson, Sarah		3	1	\$1,816		\$90,847	\$726	40.0%	100.00%					
22	Doates	Marrissey	Yes	Hawkins, Al	Ferguson, Sarah		3	2	\$3,112		\$77,802	\$1,245	40.0%	100.00%					
23	Barr	Candi	Yes	Hawkins, Al	Ferguson, Sarah		3	2	\$3,092		\$77,301	\$1,237	40.0%	100.00%					
24	Minella	Sal	Yes	Henderson, Sheila	Anderson, Gene		3	1	\$1,623		\$81,190	\$649	40.0%	100.00%					
25	Bankes	Robyn	Yes	Henderson, Sheila	Anderson, Gene		3	1	\$2,077		\$103,898	\$831	40.0%	100.00%					
26	Pole	Tad	Yes	Henderson, Sheila	Anderson, Gene		3	1	\$1,892		\$94,637	\$757	40.0%	100.00%					
27	Springer	Bruce	Yes	Henderson, Sheila	Anderson, Gene		3	2	\$2,897		\$72,449	\$1,159	40.0%	100.00%					
28	Wolff	Kry	Yes	Henderson, Sheila	Anderson, Gene		3	2	\$3,530		\$88,263	\$1,412	40.0%	100.00%					
29	Aki	Terry	Yes	Henderson, Sheila	Anderson, Gene		3	2	\$3,608		\$90,217	\$1,443	40.0%	100.00%					
30	Boord	Bill	Yes	Henderson, Sheila	Anderson, Gene		3	2	\$3,855		\$96,398	\$1,542	40.0%	100.00%					
31	Shulace	Tyrone	Yes	Henderson, Sheila	Anderson, Gene		3	1	\$1,437		\$71,899	\$575	40.0%	100.00%					
32	Pinn	Bobbie	Yes	Henderson, Sheila	Anderson, Gene		3	1	\$2,041		\$102,079	\$816	40.0%	100.00%					



# Business Practices

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Assure that we are applying solid business principles:

- Managing organizational personnel costs
- Balancing economy and effectiveness
- Consistency across the enterprise



# Business Rules – Decision Points

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- Interns or recently-graduated interns eligible for ACDP
  - May not want to give additional salary increase for interns who received a 20% increase during the cycle
    - Give 100% bonus
  - For recent graduates, which position is used in determining the payout distribution?
- Number of shares:
  - Dictated by score or rating official / pay pool panel judgment?
  - If awarding shares arithmetically: Difference of 0.1 in the total of the weighted objective ratings can double the payout

# The “Dark Period”

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- Between last day of the rating cycle and payout effective date
  - Last day will normally be 30 September
  - Effective date is always the first day of the first pay period in January
- Employee movements and actions are effected
  - Separations
  - Transfers out of NSPS
- Transfers between pools:
  - Within the same PRA, payout can be calculated and paid from either the losing or gaining pay pool (organization’s decision)
  - Movement outside of the PRA, payout must be paid by the gaining pay pool